

7701547

OFFICIAL STATEMENT

\$2,000,000

City of San Marcos
San Diego County, California

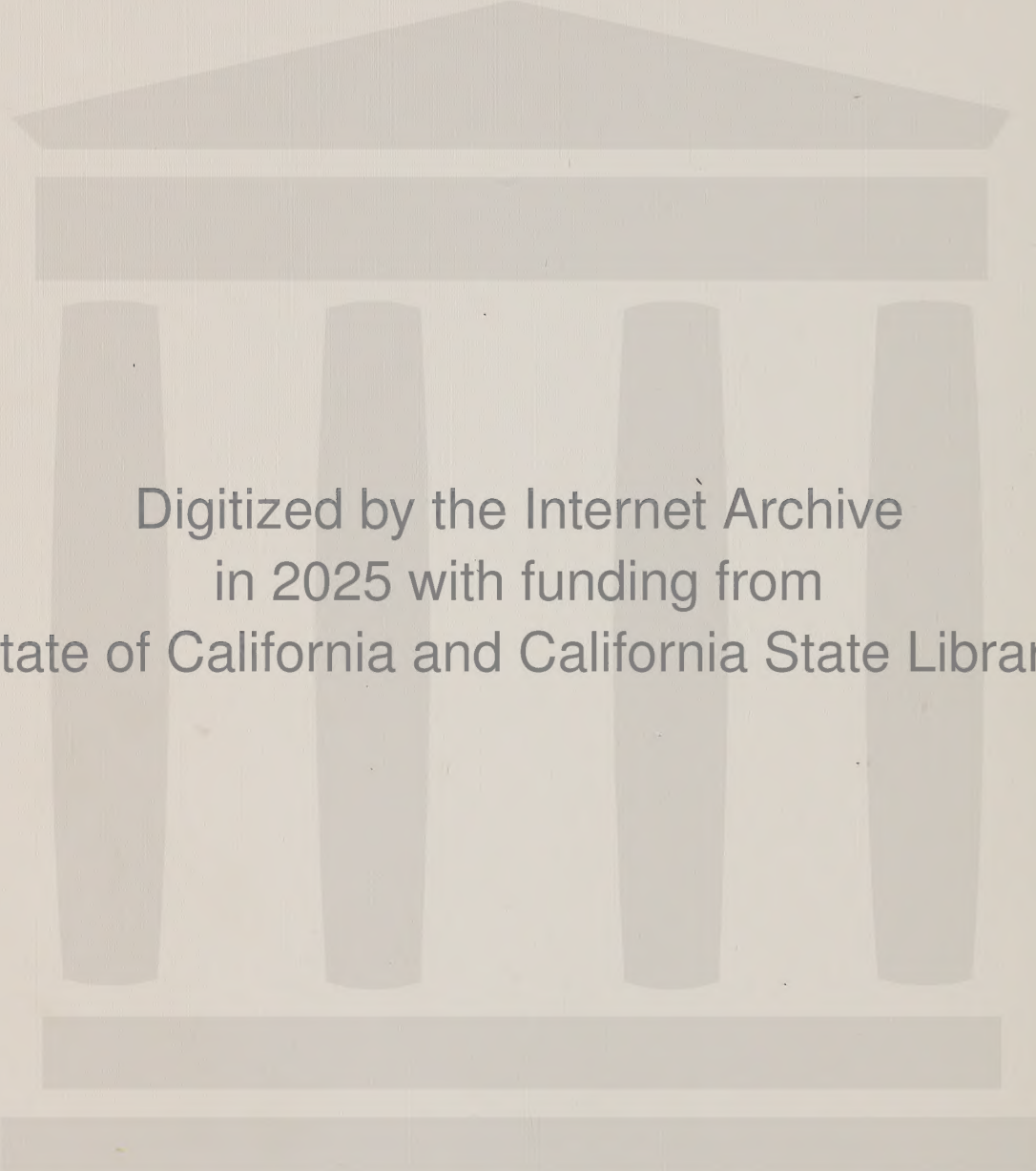
1979

**STREET IMPROVEMENT BONDS,
SERIES A**

(General Obligations)

468

Bids to be received at or before 10:00 A.M., Tuesday, January 30, 1979, at the offices of
Stone & Youngberg Municipal Financing Consultants, Inc., 1541 Wilshire Boulevard,
Suite 400, Los Angeles, California 90017.



Digitized by the Internet Archive
in 2025 with funding from
State of California and California State Library

<https://archive.org/details/C123319297>

1
CITY OF SAN MARCOS
San Diego County, California

2
CITY COUNCIL

ANDREW G. FIAMENGO, Mayor

CHARLES ESTENSON, Vice-Mayor

OBY BLANCHARD

RICHARD R. DANOVER

ROBERT L. HARMAN

WILLIAM R. BRADLEY, City Manager

HENRY E. FORD, Asst. City Manager

KATHARINE HAMMONS, Finance Director

SHEILA A. KENNEDY, City Clerk

RICHARD D. RING, Attorney

Bonds -- CA -- San Marcos
Streets -- " -- " "

-- Design and construction

San Marcos -- Streets

SPECIAL SERVICES

-- Economic code

Security Pacific National Bank, Los Angeles and San Francisco, California

Harris Trust and Savings Bank, Chicago, Illinois

Manufacturers Hanover Trust Company, New York, New York

Paying Agents

O'Melveny & Myers, Bond Counsel

Los Angeles, California

[**Stone & Youngberg Municipal Financing Consultants, Inc.**]

Los Angeles and San Francisco, California

THE DATE OF THIS OFFICIAL STATEMENT IS JANUARY 9, 1979

77 01547



City of San Marcos

105 W. RICHMAR AVENUE • SAN MARCOS, CALIFORNIA 92069

CITY COUNCIL

Andrew G. Fiamengo, *Mayor*
Charles G. Estenson, *Vice-Mayor*
Robert L. Harman
Richard R. Danover
Oby Blanchard

ADMINISTRATION

714-744-4020

William R. Bradley, *City Manager*
Sheila A. Kennedy, *City Clerk*
Richard D. Ring, *City Attorney*
Henry E. Ford, *Asst. City
Manager/Personnel Director*
Katharine Hammons,
Finance Director

January 9, 1979

TO WHOM IT MAY CONCERN:

The purpose of this Official Statement is to supply information to prospective bidders on, and buyers of, \$2,000,000 principal amount of 1979 Street Improvement Bonds, Series A proposed to be issued by the City of San Marcos, California.

The material contained in this Official Statement was prepared by Stone & Youngberg Municipal Financing Consultants, Inc., in the capacity of financing consultants to the City, and the firm will receive compensation from the City contingent upon the sale and delivery of the bonds.

This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact.

The legal opinion approving the validity of the Bonds will be furnished by O'Melveny & Myers, Los Angeles, California, Bond Counsel. The scope of Bond Counsel's employment in connection with the review of this Official Statement has been limited to reviewing the statements of law and legal conclusions set forth in the section of this Official Statement entitled "The Bonds".

No dealer, broker, salesman or other person has been authorized by the City to give information or to make any representations other than those contained herein and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of any offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The execution and distribution of this Official Statement has been authorized by the City.

ANDREW G. FIAMENGO, *Mayor*

CONTENTS

Introduction	1	Legislative Relief	8
The Bonds	3	Employee Retirement	9
Authority for Issuance	3	Potential Liability Losses	9
Sale of the Bonds	3	Financial Statements	9
Description of the Bonds	3	Direct and Overlapping Bonded Debt ...	10
Redemption Provisions	4	The City	15
Registration	4	Municipal Government	15
Legal Opinion	4	Climate and Topography	15
Tax Exempt Status	4	Population	16
Legality for Investment	4	Housing and Income	16
Purpose of the Bonds	4	Employment	17
Security	4	Building Activity	17
Constitutional Tax Limitation	4	Industry	18
Establishment and Use of Funds	4	Commerce	18
Certificate Concerning Official Statement	5	Education	20
Other Closing Documents	5	Community Facilities	20
Estimated Annual Bond Service	6		
Financial Data	7		
Basis of Taxation	7		
Assessed Valuations	7		
Tax Rates	7		
Tax Levies and Collections	8		
Article XIII A of State Constitution	8		

TABLES			
Table 1.	Estimated Annual Bond Service		6
Table 2.	Balance Sheets		11
Table 3.	Revenues and Expenditures		12
Table 4.	Changes in Fund Balances		12
Table 5.	Statement of Direct and Estimated Overlapping Debt		13

(This page intentionally left blank.)

INTRODUCTION

The City of San Marcos was incorporated on January 28, 1963. The City has experienced rapid population growth since its formation. When incorporated in 1963, it had an estimated population of 3,200. By January 1978, fifteen years later, the State Department of Finance estimated the population to be 14,050, an increase of close to 4.4 times.

However, future growth will be limited by the fact that no new sewer connection permits can be issued until additional sewage treatment capacity is provided. Attempts are currently being made to increase capacity by modifying the sewage treatment process. Plans are also underway to further increase capacity by providing additional treatment facilities. However, they are not expected to be completed for three to four years.

The City contains a number of industrial firms. Sales of products of these firms for delivery throughout the State contribute significantly to the City's sales tax revenues. During the 1977/78 fiscal year sales tax revenues were close to double the revenues from ad valorem taxes.

Ad valorem taxes represented only 10.19 percent of the City's total revenues in the 1977/78 fiscal year, which should mitigate the effects of the recent State Constitutional amendment limiting property taxes. On June 6, 1978, California voters approved a Constitutional amendment which limits ad valorem taxes — except taxes required to meet debt service on bonds approved by the electorate prior to the July 1, 1978 effective date of the amendment — to one percent of market value and requires market value to be based on 1975/76 values, except in the case of new construction or changes in ownership, with a proviso that values may be increased by up to two percent per year to reflect inflation.

Since taxes to meet debt service on bonds previously approved by the electorate are specifically excluded from the tax limitation, the amendment will have no effect on the security of the bonds currently being offered for sale. However, although the bonds are secured by the right and obligation of the City to levy taxes without limitation as to rate or amount (except for certain intangible personal property which is taxable at limited rates) to meet debt service to the extent other revenues are insufficient for the purpose, the City intends to meet debt service with sales tax revenues.

A special census taken in 1975 showed that, in the opinion of the census takers, 98.2 percent of the homes in San Marcos for which there were

responses were in sound condition. The census also showed that 51.7 percent of residents providing a valid response indicated that their homes were paid for or that they had some other arrangement under which they made no mortgage or rental payments. Only 13.6 percent of those responding stated that they paid rent, indicating a high level of homeownership.

Most residents of the City work nearby. The census showed that 67.2 percent of the heads of

households which provided valid responses were employed in San Marcos or the nearby Cities of Escondido, Oceanside or Vista.

The City contains a highly-diversified industrial base. The San Marcos Chamber of Commerce compiled a list of the 17 largest industrial employers in the City, which employed between 40 to 50 and 850 to 950 people. No two of those listed produced the same product. Their products ranged from pottery to computer equipment.

THE BONDS

Authority for Issuance

The \$2,000,000 of City of San Marcos 1979 Street Improvement Bonds, Series A, described in this Official Statement are general obligation bonds being issued pursuant to Resolution No. 79-1398 of the City Council of the City of San Marcos, adopted January 9, 1979, and under provisions of Title 4, Division 4, Chapter 4 of the Government Code of the State of California, commencing with Section 43600. The bonds are the initial series of a total of \$7,000,000 of bonds approved by a vote of 3,191 to 1,594 at an election held June 6, 1978.

Sale of the Bonds

Bids for the purchase of the bonds will be received at the offices of Stone & Youngberg Municipal Financing Consultants, Inc., Suite 400, 1541 Wilshire Boulevard, Los Angeles, California 90017 up until 10:00 A.M., Tuesday, January 30, 1979. The bids will be submitted to the City Council for action at a meeting to be held later the same day.

Details of the terms of sale are contained in the Notice Inviting Bids adopted by the City Council on January 9, 1979.

Description of the Bonds

The bonds will be dated February 1, 1979, and will be initially issued as coupon bonds in denominations of \$5,000 each, numbered A1 through A400. The bonds will mature serially on February 1 of each of the years and in the amounts shown below.

1980-81 ...	\$30,000	1995	\$ 90,000
1982-83 ...	35,000	1996	95,000
1984	40,000	1997	100,000
1985-86 ...	45,000	1998	110,000
1987	50,000	1999	115,000
1988	55,000	2000	125,000
1989	60,000	2001	130,000
1990	65,000	2002	140,000
1991-92 ...	70,000	2003	150,000
1993	75,000	2004	160,000
1994	80,000		

Interest will be payable for the first year on February 1, 1980 and semi-annually thereafter on February 1 and August 1 of each year.

Both interest and principal are payable at the paying agents of the City, the Security Pacific National Bank, Los Angeles and San Francisco, California; the Harris Trust and Savings Bank,

Chicago, Illinois; and the Manufacturers Hanover Trust Company, New York, New York.

Redemption Provisions

The resolution of issuance provides that bonds maturing on or before February 1, 1989 are not subject to call or redemption prior to their fixed maturity dates. Bonds maturing on and after February 1, 1990, a principal amount of \$1,575,000 are subject to call and redemption as a whole or in part in inverse order of maturity and by lot within a single maturity at the option of the City Council on any interest payment date on or after February 1, 1989, upon payment of the principal amount plus accrued interest and a premium equal to one quarter of one percent for each year or intervening fraction of a year between the date of redemption and the maturity date. The City will publish, in a financial journal or financial newspaper circulated in the City of New York, New York, and in a newspaper circulated in the City of San Marcos, a notice of intended redemption at least 30 days but not more than 60 days prior to the redemption dates. Written notice of redemption is to be mailed by the City to the holders of any registered bonds designated for redemption.

Registration

The bonds will be initially issued as coupon bonds which may be exchanged for fully registered bonds of the same maturity. Thereafter, fully registered bonds may be exchanged for coupon bonds or for other fully registered bonds, all in accordance with the provisions in the resolution providing for the issuance of the bonds.

Legal Opinion

The opinion of O'Melveny & Myers, Los Angeles, California, bond counsel for the City of San Marcos, approving the validity of the bonds will be supplied free of charge to the original purchasers of the bonds. A copy of the legal opinion, certified by the official in whose office the original is filed, will be printed on each bond without charge to the purchaser.

Tax Exempt Status

In the opinion of bond counsel, the interest on the bonds is exempt from present Federal income taxes and from State of California personal income

taxes under existing statutes, regulations and court decisions.

Legality for Investment

The bonds are legal investments in California for commercial banks and insurance companies and are eligible to secure deposits of public monies in California.

Purpose of the Bonds

The proceeds from the sale of the bonds will be used to meet the costs of constructing ten separate street improvement projects within the City.

Security

The bonds are general obligations of the City of San Marcos and the City has the power and is obligated to levy ad valorem taxes on all property within the City subject to taxation by the City (except for certain intangible personal property which is taxable at limited rates) without limitation as to rate or amount for the payment of bond principal and interest to the extent other funds are insufficient for the purpose. The City intends to meet bond principal and interest requirements from the proceeds of sales taxes, although such revenues are not pledged to the payment of debt service.

Constitutional Tax Limitation

Article XIII A of the State Constitution limits ad valorem taxes after July 1, 1978 to one percent of market value — except taxes required to meet debt service on bonds approved by the electorate prior to the July 1, 1978 effective date of the amendment — and requires market value to be based on 1975/1976 values, except in the case of new construction or changes in ownership, with a proviso that values may be increased by up to two percent per year to reflect inflation.

Since taxes to meet debt service on bonds previously approved by the electorate are specifically excluded from the tax limitation, the amendment will have no effect on the security of the bonds currently being offered for sale.

Establishment and Use of Funds

Resolution No. 79-1398 provides for the creation of the following funds to be used for the purposes set forth.

Construction Fund

The proceeds from the sale of the bonds, except for premium and accrued interest, if any, are to be deposited in the Construction Fund and used for the acquisition and construction of the project.

Interest and Principal Fund

The premium and accrued interest, if any, received from the sale of the bonds shall be placed in the Interest and Principal Fund. Money in the fund is to be used to pay bond interest and principal as they become due.

Reserve Fund

On or before August 31, 1979, the City Treasurer shall transfer to the Reserve Fund an amount equal to the maximum amount payable in any calendar year (maximum annual debt service). Since the amount due on the first interest payment date (February 1, 1980) will represent interest for one full year, the amount required to be placed in the Reserve Fund by August 31, 1979, will be equal to interest for the first year and one half (coming due February 1 and August 1 of 1980) plus the first principal payment.

If, five days prior to the date bond principal and/or interest are due, the amount in the Interest and Principal Fund is less than the amount coming due, the Treasurer shall transfer the amount required from the Reserve Fund to the Principal and Interest Fund. Thereafter the Reserve Fund may, but need not be, increased to an amount equal to maximum annual bond service.

Sales Tax Revenue Fund

On January 9, 1979, the City Council gave first reading to Ordinance No. 79-487, which establishes a Sales Tax Revenue Fund into which all sales and use taxes received by the City on and after February 1, 1979 are to be placed.

The ordinance provides that on the tenth day of each month, commencing February 10, 1979, the Treasurer may transfer money from the Sales Tax Fund to the Interest and Principal Fund or the Reserve Fund. Any balance is to be placed in the General Fund of the City.

The ordinance provides, however, that it shall not be deemed to constitute a pledge of sales and use taxes to pay debt service on the 1979 Street Improvement Bonds.

It is expected that the ordinance will be adopted on January 23, 1979, following its second reading after which it will become effective immediately.

The purpose of the Reserve Fund and the Sales Tax Revenue Fund is to permit the payment of bond service from sales tax revenues. However, it may be noted that if the amount in the Reserve Fund and/or the Interest and Principal Fund is not sufficient to pay the next year's debt service by the date on which the City is required to establish a tax rate, then the City will be required to levy a tax sufficient to meet such debt service.

Certificate Concerning Official Statement

At the time of payment for and delivery of the bonds, the City will furnish the successful bidder a certificate, signed by an appropriate officer of the City, acting in his official capacity, to the effect that at the time of approval of the official statement and at all subsequent times up until the time of delivery of the bonds the official statement did not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances in which they were made, not misleading.

Other Closing Documents

In addition to the opinion of bond counsel and the Certificate Concerning Official Statement, the City will, at the time of delivery of the bonds, furnish the purchaser the following documents, all to be dated as of the date of delivery:

1. *Arbitrage Certificate.* A certificate of a responsible officer of the City, setting forth facts and circumstances in effect at the time of delivery of the bonds, which lead to the conclusion that the proceeds of the bonds will not be used in a manner that will cause the bonds to be arbitrage bonds.

2. *Signature - No Litigation Certificate.* A certificate of the respective officers and representatives of the City showing that they have signed the bonds by manual or facsimile signature, that they were duly authorized to execute the same, and that there is no litigation threatened or pending affecting the validity of the bonds.

3. *Treasurer's Receipt.* The receipt of the City Treasurer showing that the purchase price of the bonds, including accrued interest to the date of delivery, has been received by the City.

ESTIMATED ANNUAL BOND SERVICE

Table 1 shows a schedule of estimated annual bond service for the \$2,000,000 of the City of San Marcos 1979 Street Improvement Bonds, Series A.

Table 1
CITY OF SAN MARCOS
\$2,000,000 1978 STREET IMPROVEMENT BONDS, SERIES A
Estimated Annual Bond Service

Year Ending February 1	Principal Outstanding	Interest Estimated At 7%	Principal Maturing	Total Bond Service
1980	\$2,000,000	\$ 140,000	\$ 30,000	\$ 170,000
1981	1,970,000	137,900	30,000	167,900
1982	1,940,000	135,800	35,000	170,800
1983	1,905,000	133,350	35,000	168,350
1984	1,870,000	130,900	40,000	170,900
1985	1,830,000	128,100	45,000	173,100
1986	1,785,000	124,950	45,000	169,950
1987	1,740,000	121,800	50,000	171,800
1988	1,690,000	118,300	55,000	173,300
1989	1,635,000	114,450	60,000	174,450
1990	1,575,000	110,250	65,000(1)	175,250
1991	1,510,000	105,700	70,000(1)	175,700
1992	1,440,000	100,800	70,000(1)	170,800
1993	1,370,000	95,900	75,000(1)	170,900
1994	1,295,000	90,650	80,000(1)	170,650
1995	1,215,000	85,050	90,000(1)	175,050
1996	1,125,000	78,750	95,000(1)	173,750
1997	1,030,000	72,100	100,000(1)	172,100
1998	930,000	65,100	110,000(1)	175,100
1999	820,000	57,400	115,000(1)	172,400
2000	705,000	49,350	125,000(1)	174,350
2001	580,000	40,600	130,000(1)	170,600
2002	450,000	31,500	140,000(1)	171,500
2003	310,000	21,700	150,000(1)	171,700
2004	160,000	11,200	160,000(1)	171,200
Totals		\$2,301,600	\$2,000,000	\$4,301,600

(1) Callable on and after February 1, 1989.

FINANCIAL DATA

Basis of Taxation

Commencing with the 1978/79 fiscal year, Article XIII A of the State Constitution limits ad valorem property taxes in the State of California to one percent of market value, except for taxes to meet debt service on bonds approved by the electorate prior to July 1, 1978, which may be levied without limitation as to rate or amount.

Market value is based on appraised values as of the 1975/76 fiscal year, except in the case of newly constructed property or property which changes ownership, which properties will be assessed as of the date of construction or of an ownership change. Thereafter values may be increased by not more than two percent per year to reflect inflation.

Because assessed valuations in California are established at 25 percent of full cash value, the limitation of one percent of market value results in a maximum tax rate of \$4 per \$100 of assessed valuation (except for taxes to meet debt service on bonds approved before July 1, 1978).

Assessed Valuation

The assessed valuation of the City of San Marcos is established by the San Diego County Assessor, except for utility property which is assessed by the State Board of Equalization.

California law provides for two types of exemptions which do not result in any loss of revenues to local taxing agencies since an amount equivalent to the taxes which would have been paid on such exempt properties is made up by the State. One exempts \$1,750 of the assessed valuation of an owner-occupied dwelling. The other exempts 50 percent of the assessed valuation of business inventories.

A tabulation showing the 1978/79 assessed valuation of property within the City of San Marcos before and after giving affect to these two exemptions appears at the top of the following page.

A five-year summary of the assessed valuations of the City of San Marcos before deductions of the homeowners' and business inventory exemptions appears in the tabulation at the bottom of page 8.

Tax Rates

City taxes are collected by the San Diego County Tax Collector at the same time and on the same rolls as County and School District taxes.

CITY OF SAN MARCOS**1978/79 Assessed Valuations**

	Net Assessed Valuation	Home owners' And Business Inventory Exemptions	Assessed Valuation For Revenue Purposes
Local			
secured			
roll	\$61,329,410	\$6,475,198	\$67,804,608
Utility roll	3,637,190	—	3,637,190
Unsecured			
roll	5,131,980	1,546,462	6,678,442
Total . . .	\$70,098,580	\$8,021,660	\$78,120,240

Source: San Diego County Auditor-Controller

Commencing with the 1978/79 fiscal year, City taxes — except for taxes to meet debt service on bonds previously approved by the voters — are allocated by the County Auditor-Controller from the proceeds of the tax rate of \$4 per \$100 assessed valuation established under Article XIII A.

Prior to 1978/79 the tax rate was established by the City Council. The City tax rate was maintained at 70 cents per \$100 assessed valuation from 1970/71 to 1976/77. In 1977/78 it was reduced to 50 cents per \$100 assessed valuation.

Tax Levies and Collections

The accompanying tabulation summarizes the City's secured tax levies and collections over the past three fiscal years.

CITY OF SAN MARCOS**Five-Year Summary of Assessed Valuations**

Fiscal Year	Local Secured Roll	Utility Roll	Unsecured Roll	Totals
1974/75	\$31,193,614	\$1,630,300	\$2,488,971	\$35,312,885
1975/76	34,901,762	2,209,980	3,583,431	40,695,173
1976/77	38,995,202	2,549,790	3,482,671	45,027,663
1977/78	66,443,448	3,314,190	4,605,364	74,363,002
1978/79	67,804,608	3,637,190	6,678,442	78,120,240

Source: San Diego County Auditor-Controller

CITY OF SAN MARCOS**Tax Levies and Collections**

Fiscal Year	Secured Tax Levies	Collections(1)	
		Amount	Percentage
1975/76	\$234,272	\$231,439	98.8%
1976/77	253,251	258,294	102.0
1977/78	322,962	313,934	97.2

(1) Includes redemptions of prior-year delinquent taxes

Source: San Diego County Auditor-Controller

Article XIII A of State Constitution

In addition to the tax rate limitations described under the heading "Basis Of Taxation", Article XIII A also provided that additional State taxes (except taxes on property or property transfers) may be imposed, but only by a two-thirds majority of the State Legislature, and local governments may impose new taxes (except taxes on property or property transfers), but only with the approval of two-thirds of the electorate.

Legislative Relief

Chapter 292, 1978 Statutes, provides one time partial relief to local governments to offset the revenue loss under Article XIII A of the State Constitution.

However, because of the large surplus which the City had, it was not eligible to receive any of these funds.

Employee Retirement

The City covers all employees under the Federal Insurance Contribution Act and all but Recreation Department Employees under the State's Public Employees Retirement System (PERS).

The PERS system was originally established in 1931. As of June 30, 1977, there were 556,759 members, of whom approximately ten percent are classified as "safety" members (principally fire and police duties) and the balance are classified as "Miscellaneous" members (management, administrative, staff, operational and clerical employees). All City of San Marcos employees come under the "miscellaneous" category.

Approximately one-third of the members are state personnel and the balance are public agency personnel. As of June 30, 1977, the System provided retirement, death and survivor benefits under 979 contracts for 2,078 public agency employers (cities, counties, school districts, special districts, and other public bodies) with 374,051 members. The System's funding is by employer and employee contributions together with investment income. Contributions fluctuate yearly depending on the number of members and their respective salary schedules.

Total assets of the System at June 30, 1977 were \$8,951,294,831, according to the annual audit. Of this amount, net assets of \$8,755,875,035 were available for benefits. The annual contribution by employees for the 1976/77 fiscal year was \$312,725,614.

The most recent actuarial valuation, performed by PERS, utilized census data as of June 30, 1976. The total unfunded obligation of the System was determined to be \$6,868,665. The method used was entry age normal cost, which is a projected benefit cost method wherein level employer normal cost rates, considering present member contributions, are calculated at amounts sufficient to fund benefits over the entire service life of members.

Except for the pooling of certain public agency miscellaneous members, actuarial evaluations are performed for each participating employer, and the total accrued actuarial liability noted above is the sum of the individual employer accounts. According to the PERS annual report, public agency employer contribution rates set forth between each agency and PERS will meet all ongoing costs and fund the unfunded liability for each agency in accordance with the terms of each agency's contract.

The System's financial statements are prepared on an accrual basis of accounting. The System's auditor is Touche Ross & Co., San Francisco, California. Citicorp Investment Management, Inc., San Francisco, provides investment advisory services. The System's actuarial activities are conducted internally on a continuous basis, with an experience analysis being required no less than every four years under the Retirement Law. Management Applied Programming, Inc., Los Angeles, is reviewing the June 30, 1977 actuarial valuation prepared by the PERS staff.

Potential Liability Losses

The City has entered into a pooled risk arrangement with 32 other cities under which the 33 cities have obtained joint liability insurance against claims of up to \$9,500,000 per occurrence and have agreed to share liabilities for claims of between \$10,000 and \$500,000. Each of the cities must reimburse the pool for claims of under \$10,000.

The City has paid a deposit premium of \$41,000 into the pool. Various claims have been filed against the City, all of which are evaluated under \$2,500, with the exception of one claim which has an estimated value of \$25,000. According to Mr. R. W. Bowman, General Manager of the Southern California Joint Powers Insurance Authority, the aggregate estimated value of all claims filed against the City since April 1, 1978 is \$33,535.

Mr. Bowman states that the City may be required to pay an additional premium to the pool at the time of actual premium calculation; however, the amount of such additional premium, if any, is dependent on the City's claims experience for the year ending March 31, 1979.

Financial Statements

Tables 2, 3 and 4, which follow, contain data extracted from annual financial statements audited by Diehl, Evans and Company, Certified Public Accountants, Carlsbad, California. The audit reports state that the financial statements were examined in accordance with generally accepted auditing standards. The reports also contain an opinion that the statements present fairly the financial position of the various funds of the City as of the end of the fiscal year covered and the results of their operations and changes in fund balances for the fiscal year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The financial statements themselves include certain notes which are not fully set forth in the following material. Copies of the statements are available on request from the City Manager.

Significant Accounting Policies

The City uses a modified accrual system of accounting wherein revenues are recorded on the cash basis, except for property taxes, interest earned and amounts due under grant contracts. Expenditures are recorded at the time liabilities are incurred.

Property and equipment are stated at cost. The costs of street systems are not capitalized but are recorded as expenditures of the appropriate fund. No provision is made for depreciation on property and equipment.

Balance Sheets

Table 2 summarizes the assets and liabilities of the City as of June 30, 1977 and 1978.

Revenues and Expenditures

Table 3 summarizes the City's revenues and expenditures during the past five fiscal years.

Changes in Fund Balances

Table 4 summarizes the changes in the City's fund balances over the past five fiscal years.

Direct and Overlapping Bonded Debt

The City has no bonded debt at present. Table 5 presents a summary of the direct and overlapping debt of the City following the sale of the bonds.

Table 2
CITY OF SAN MARCOS
Balance Sheets

Year Ended June 30:	1977	1978
A S S E T S		
Cash	\$1,313,845	\$2,126,398
Grants receivable	36,440	—
Accrued interest receivable	9,615	12,230
Property taxes receivable	14,666	9,935
Assessments receivable	—	740,323
Other receivables	16,166	225,384
Prepaid expenses	34,291	33,735
Property and equipment	<u>1,627,680</u>	<u>1,856,386</u>
Total assets	\$3,052,703	\$5,004,391
LIABILITIES AND FUND BALANCES		
Accounts payable	\$ 117,482	\$ 204,655
Assessment bonds payable	—	779,800
Note payable (1)	42,500	—
Payroll taxes withheld and accrued	23,469	—
Trust fund deposits	34,020	96,304
Accrued wages	6,678	11,639
Unearned vacation pay reimbursement	127	—
Accrued interest payable (1)	744	—
Investment in property and equipment	1,627,680	1,856,386
Fund balances	<u>1,200,003</u>	<u>2,055,607</u>
Total liabilities and fund balances	\$3,052,703	\$5,004,391

- (1) The City was obligated under a note secured by a deed of trust given as part of the consideration for the purchase of certain property. Annual principal payments of \$10,625 were due April 1 of 1974 through 1981, with interest at seven percent on the unpaid balance; however, the note was fully repaid during the 1977/78 fiscal year.

Table 3
CITY OF SAN MARCOS
Revenues and Expenditures

Fiscal year:	1973/74	1974/75	1975/76	1976/77	1977/78
REVENUES					
Property taxes.....	\$160,711	\$ 277,852	\$ 346,835	\$ 382,564	\$ 418,677
Sales taxes	216,246	325,563	450,008	611,215	816,754
Other taxes	54,022	68,546	90,921	47,568	56,113
Licenses and permits.....	103,325	93,633	173,517	278,393	367,273
Fines, forfeitures and penalties ...	28,853	57,172	49,106	49,026	45,195
From other agencies	274,318	310,964	492,292	953,484	1,521,316
Service charges.....	66,259	53,043	141,386	202,371	341,957
Development fees (1)	29,290	70,039	219,948	324,331	414,076
Use of money and property	55,792	56,671	69,126	78,630	127,820
Total revenues	\$988,816	\$1,313,483	\$2,033,139	\$2,927,582	\$4,109,181
EXPENDITURES					
General government.....	\$223,309	\$ 282,706	\$ 367,363	\$ 501,005	\$ 622,880
Public safety	158,360	219,824	257,389	282,885	345,296
Public works	274,700	358,965	444,593	510,178	927,852
Parks and recreation	150,291	199,985	157,946	190,891	247,970
Expenditures of federal grants....	99,683	106,614	160,430	169,937	143,019
Interest	5,851	5,020	4,276	3,533	—
Capital outlays	64,083	65,775	252,667	1,262,843	966,560
Total expenditures	\$976,277	\$1,238,889	\$1,644,664	\$2,921,272	\$3,253,577

(1) Fees collected from developers and accumulated by City to be used for drainage projects and parks.

Table 4
CITY OF SAN MARCOS
Changes in Fund Balances

Fiscal year:	1973/74	1974/75	1975/76	1976/77	1977/78
Beginning fund balances	\$651,192	\$ 663,731	\$ 748,950	\$1,183,068	\$1,200,003
Adjustments	—	—	35,018(1)	—	—
Revenues	988,816	1,313,483	2,033,139	2,927,582	4,109,181
Expenditures	976,277	1,238,889	1,644,664	2,921,272	3,253,577
Other.....	—	10,625	10,625	10,625	—
Ending fund balances.....	\$663,731	\$ 748,950	\$1,183,068	\$1,200,003	\$2,055,607

(1) Prior to the 1975/76 fiscal year property tax revenues and revenue sharing entitlements were recorded when received in cash. In accordance with accounting principles recommended by the American Institute of Certified Public Accountants, effective July 1, 1975 the City adopted a policy of accruing these revenues as they became available, thus adding \$35,684 retroactively to the June 30, 1975 fund balance. In order to properly reflect the nature of CETA grants, \$666 of the June 30, 1975 CETA Fund balance was reclassified as unearned vacation pay reimbursement.

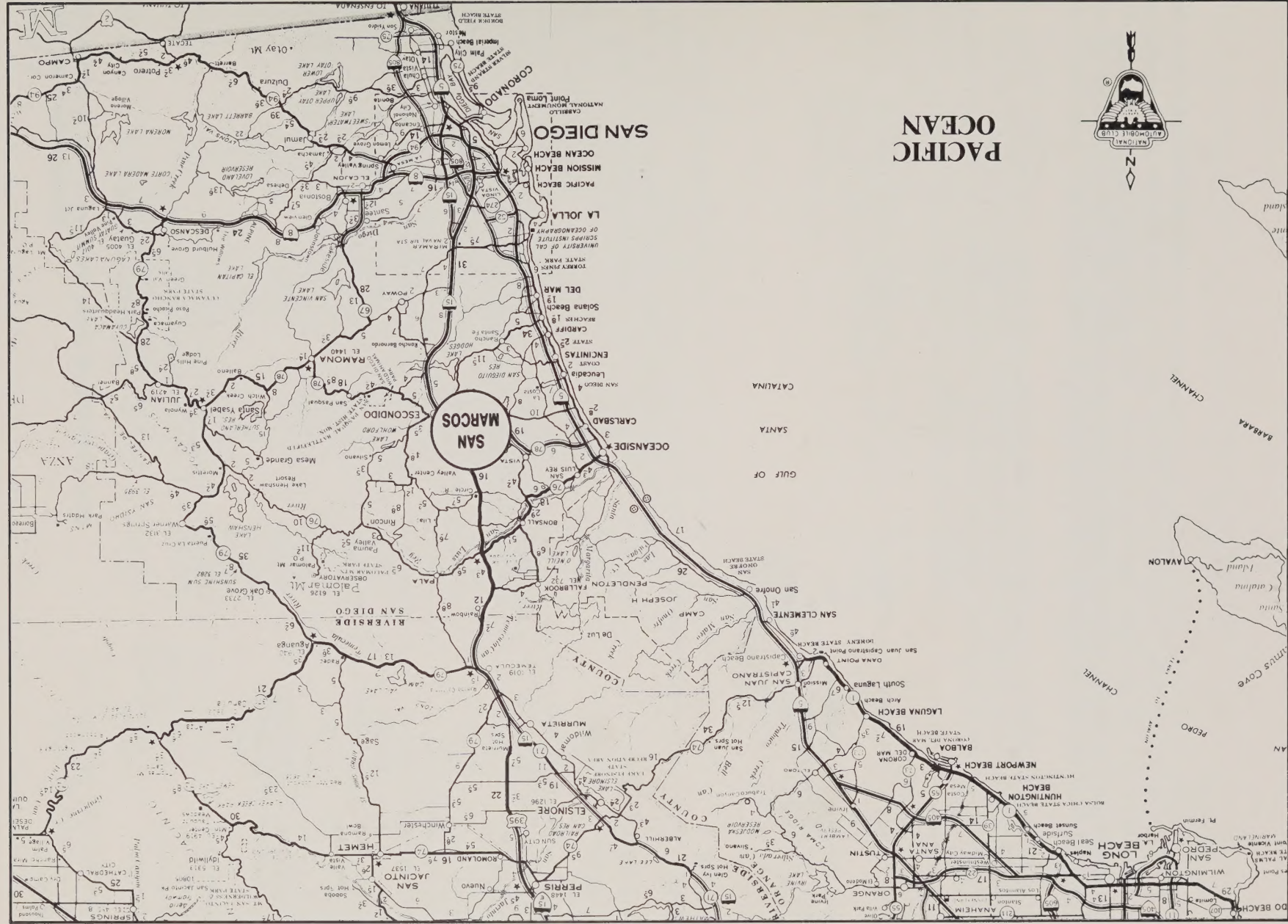
Table 5
CITY OF SAN MARCOS
Statement of Direct and Estimated Overlapping Debt

Estimated Population.....	14,050(1)
1978/79 assessed valuation.....	\$ 78,120,240
Estimated market value	\$312,481,000(2)

	Debt Outstanding Percentage	1/30/79(3) Amount
San Diego County	0.992	\$ 22,419
San Marcos Unified School District	48.516	1,266,753(4)
Palomar Community College District.....	4.886-4.947	86,647(4)
Other school and college districts	Various	6,511
Northern San Diego Hospital District	7.440	422,964
Metropolitan Water District of Southern California	0.141	737,970
San Diego County Water Authority.....	1.035	527,126
San Marcos County Water District	58.208	902,224
San Marcos County Water District, Improvement Districts 1-6	62.112-77.146	1,302,883
Rincon Del Diablo Municipal Water District and Improvement District No. 1	0.645-2.595	537,967
Olivehain Municipal Water District	0.180	58,500
Vista Irrigation District	3.801	311,264(5)
City of San Marcos	100.000	\$2,000,000
Total direct and overlapping debt		\$8,183,228
Less: Vista Irrigation District bonds dated 6/10/46 (100 percent self supporting)		904,000
Net direct and overlapping debt		\$7,279,228

	Percentage Of		
	Assessed Valuation	Market Value	Per Capita
Assessed valuation	- %	- %	\$5,560
Direct debt	2.56	0.64	142
Total direct and overlapping debt	10.48	2.62	582
Net direct and overlapping debt	9.32	2.33	518

- (1) As of January 1, 1978, according to the State Department of Finance.
- (2) Under California law, property is assessed at 25 percent of the 1975/76 full cash value, except in the case of newly constructed property or property which undergoes a change of ownership, which properties are assessed as of the date of construction or of change in ownership; thereafter, assessed valuations are increased by two percent per year to reflect inflation.
- (3) Excludes sales, if any, between January 9, 1979 and January 30, 1979, except for the bonds currently offered for sale. Also excludes assessment bonds, revenue bonds and bonds secured by leases to San Diego County and Northern San Diego Hospital District.
- (4) Includes predecessor districts.
- (5) To be sold January 30, 1979.



Map showing San Marcos and its location in Southern California. Base map courtesy of the National Automobile Club, copyright owner.

THE CITY

The City of San Marcos is located in northern San Diego County, approximately 10 miles inland from the Pacific Ocean.

Municipal Government

San Marcos was incorporated in 1963 as a general law city. It utilizes the council-manager form of government. The city council is composed of a mayor and four council members. The mayor is elected to a two-year term. Council members are elected at large to overlapping four-year terms at elections held every two years. The city manager is appointed by the council.

The mayor is Mr. Andrew G. Fiamengo, a resident of San Marcos for the past 17 years. He was first elected to the City Council in 1974, following seven years of service to the City as a planning commissioner. He is the owner-manager of a car wash.

Charles G. Estenson, vice-mayor, is the manager of production control and shipping for a dental equipment manufacturing firm. He has resided in San Marcos for several years and has been a member of the City Council since 1976.

Oby Blanchard, a rancher, is a 30-year resident of San Marcos and has been a member of the City Council since 1976. He served for 16 years as president of the Board of Directors of the San Marcos County Water District.

Councilman Richard R. Danover has resided in San Marcos for 25 years. He is route supervisor and salesman for a linen supply firm. He first became a city councilman in 1976. Prior to that he was chairman of North County Community Action, a local citizens group.

Councilman Robert L. Harman is a high school teacher. He has been a resident of San Marcos for seven years and has been a councilman since 1976. Prior to that he served as a member of the Planning Commission for four years.

The city manager, Mr. William R. Bradley, has served the City in that capacity since 1972. He has 25 years experience in local government. He holds a Bachelor of Science degree from the University of Southern California and a Master's degree in public administration from San Jose State University.

Climate and Topography

San Marcos has a mediterranean-type climate with mild winter weather and warm summers.

Rainfall is generally confined to the period between November and March.

The topography consists of level valley land surrounded by rolling hills.

Population

San Marcos had an estimated population of 3,200 when it was incorporated in 1963. Since then the population has grown dramatically, as shown in the following tabulation.

CITY OF SAN MARCOS Population

1963	3,200 (1)
1970	3,896 (2)
1975	9,750 (3)
1978	14,050 (3)

(1) Local estimate

(2) U.S. Census

(3) State Department of Finance

Housing and Income

A special census taken throughout San Diego County in March 1975 showed the following housing conditions to have existed within the City of San Marcos. The conditions reported were based on the observations of the census takers.

CITY OF SAN MARCOS Condition of Housing — 1975

	Number	Percentage
Sound	3,436	97.12%
Deteriorating	49	1.39
Dilapidated	15	.42
No valid response	38	1.07
Total	3,538	100.00%

Source: 1975 Special Census.

The high number of homes found to be in sound condition reflects the fact that most homes in the community were built in recent years.

The special census showed the following monthly costs of housing within the City. Rental costs include utilities.

CITY OF SAN MARCOS Monthly Housing Costs — 1975

	Number	Percentage
Less than \$70 rent	11	0.31%
\$71-\$125 rent	21	0.59
\$126-\$200 rent	197	5.57
\$200 or more rent	147	4.16
Less than \$150 mortgage payments	98	2.77
\$150-\$200 mortgage payments	213	6.02
\$201-\$300 mortgage payments	297	8.39
Over \$300 mortgage payments	347	9.81
Other, including home paid for	1,425	40.28
No valid response	782	22.10
Total	3,538	100.00%

Source: 1975 Special Census.

The special census showed the following distribution of household incomes (before taxes) within San Marcos. However, with only a little more than one-third of the households responding no great weight can be given to the results.

CITY OF SAN MARCOS 1975 Household Incomes

	Number	Percentage
Less than \$3,000	87	2.46%
\$3,000-\$4,999	112	3.17
\$5,000-\$6,999	139	3.93
\$7,000-\$9,999	177	5.00
\$10,000-\$14,999	361	10.20
\$15,000-\$19,999	257	7.26
\$20,000-\$24,999	85	2.40
\$25,000-\$39,999	36	1.02
Over \$40,000	14	.40
No valid response	2,270	64.16
Total	3,538	100.00%

Source: 1975 Special Census.

The special census showed the principal sources of income among San Marcos households to be as follows.

CITY OF SAN MARCOS
Principal Sources of Income — 1975

	Number	Percentage
Wages and salaries	1,451	41.01%
Self employment	99	2.80
Retirement income (including Social Security)	607	17.16
Property rentals	20	0.56
Interest, dividends, etc.	69	1.95
Veteran's benefits	19	0.54
Unemployment benefits	18	0.51
Public assistance or welfare	15	0.42
No valid response	1,240	35.05
Total	3,538	100.00%

Source: 1975 Special Census.

Employment

The 1975 special census showed the heads of households in San Marcos to be employed in the following fields.

CITY OF SAN MARCOS
1975 Employment

	Number	Percentage
Agriculture, forestry and fisheries	56	1.58%
Mining and construction	229	6.47
Manufacturing	216	6.11
Wholesale and retail trade ...	155	4.38
Transportation, communication and utilities	93	2.63
Finance, insurance and real estate	67	1.89
Services	448	12.66
Government	238	6.73
Retired	1,222	34.54
Unemployed, not in labor force	210	5.94
No valid response	604	17.07
Total	3,538	100.00%

Source: 1975 Special Census.

The special census found that heads of households were employed in the following locations.

CITY OF SAN MARCOS
**Places of Employment of Heads of
Household**

	Number	Percentage
San Marcos area	465	13.14%
Escondido	410	11.59
Oceanside and Vista	136	3.84
Carlsbad and San Dieguito ...	64	1.81
Camp Pendleton	51	1.44
Miramar Naval Air Station	26	.74
Elsewhere in San Diego County	295	8.34
Outside San Diego County ...	57	1.61
No valid response	2,034	57.49
Total	3,538	100.00%

Source: 1975 Special Census.

Building Activity

The five-year summary of building permits and valuations issued by the City of San Marcos which appears at the top of page 18 shows the decided upturn in building activity during the past two years. During the first half of 1978, the City issued 868 permits with a total valuation of \$37,123,000 as compared to 807 permits with a valuation of \$28,196,849 during the same period a year ago.

The San Marcos County Water District, which provides sewerage service within the City, has reached its sewage treatment capacity. Accordingly, until additional sewage treatment capacity is provided, new construction in the City will be limited to those projects which have already obtained sewer connection permits and to projects which may be able to obtain permits which their existing holders are unable to utilize.

Sewage from San Marcos is treated at the Encinas Wastewater Treatment Plant, which is jointly-owned by the City of Carlsbad, the San Marcos County Water District and the Vista Sanitation District.

The Encinas Plant currently has a rated capacity of 13.75 million gallons per day (mgd), of which the San Marcos County Water District has an entitlement to 2.455 mgd. Attempts are currently underway to increase this capacity to 16 mgd through modifications to the treatment facilities. If the attempts are successful, the San Marcos County Water District capacity would increase to

CITY OF SAN MARCOS
Building Permits and Valuations

	1973	1974	1975	1976	1977
Single family residential					
Permits	660	175	246	673	584
Valuation.....	\$15,829,731	\$4,612,478	\$ 7,189,800	\$20,189,102	\$28,508,176
Multiple dwellings					
Permits	27	—	—	11	21
Valuation.....	\$ 1,006,853	\$ —	\$ —	\$ 1,528,823	\$ 2,370,924
Mobile homes					
Permits	—	—	—	—	12
Valuation.....	\$ —	\$ —	\$ —	\$ —	\$ 299,000
Commercial and industrial					
Permits	38	31	37	219	107
Valuation.....	\$ 5,824,485	\$2,271,096	\$ 2,802,851	\$ 9,968,940	\$12,426,413
Park					
Permits	1	—	—	—	—
Valuation.....	\$ 357,000	\$ —	\$ —	\$ —	\$ —
Other					
Permits	756	412	576	442	847
Valuation.....	\$ 2,742,977	\$2,068,823	\$ 4,202,974	\$ 2,990,689	\$ 9,163,208
TOTALS					
Permits	1,482	618	859	1,345	1,571
Valuation.....	\$25,761,046	\$8,952,397	\$14,195,625	\$34,677,554	\$52,767,721

Source: City of San Marcos Building Department

2.853 mgd, which would allow an additional 1,430 residential connections, or their equivalent in commercial and/or industrial uses.

Plans for expansion of the plant to 18 mgd are currently under study. However, construction of the expanded facilities is expected to take between three and four years to complete. If the San Marcos County Water District retains the same share of capacity in the expanded plant as it has in the existing facility it would obtain sufficient capacity for 11,440 residential connections, an increase of 2,700 from the present level.

Industry

There are 1,400 acres of land zoned for industrial use within the City. Approximately 80 percent is vacant according to the Chamber of Commerce.

Rail service is available within one-half mile of most of the land and is adjacent to some parcels.

A listing of the major industrial employers in San Marcos appears on the facing page.

Commerce

The City contains two district shopping centers plus numerous individual stores. Two additional shopping centers are under construction.

A significant portion of the retail sales activity within San Marcos consists of sales of items manufactured in the City but delivered to customers located elsewhere. This is illustrated in the accompanying three year summary of taxable transactions where such sales are listed under "All other outlets".

CITY OF SAN MARCOS
Largest Industrial Employers

Company	Product	Employees
Armorlite, Inc.	Plastic lenses	850-950
Singer Company, Kearfott Division	Computer equipment	500-999
Spanjian Sportswear	Athletic garments	250-300
Napp Systems, Inc.	Printing plates	200-250
Wico Corporation	Coin-operated machines	200-250
Zymex-Sungem	Lapidary supplies	125-150
Freeman McFarlin Pottery	Pottery	100-125
Hollandia Dairy	Dairy products	95-110
Saturation Systems, Inc.	Diving systems	70-100
W. Lusardia Construction	Building contractor	80-85
Aquappliance, Inc.	Marine hardware	75-80
Roberts Irrigation	Waterworks equipment	70-80
Consyne Corp., Dupaco Division	Medical equipment	60-70
Teledyne Aero-Cal	Metal rolling and forming	50-99
Xyntex	Electronic power supplies	50-60
Construction Specialties	Ornamental metal work	45-50
Leslie Manufacturing, Inc.	Organ speaker systems	40-50

CITY OF SAN MARCOS
Taxable Retail Sales Transactions

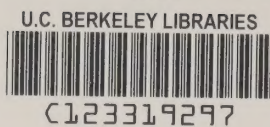
Year	1975		1976		1977	
	Permits	Transactions(1)	Permits	Transactions(1)	Permits	Transactions(1)
Apparel stores	3	\$ (2)	3	\$ (2)	4	\$ 359
General merchandise stores	2	(2)	2	(2)	2	(2)
Drug stores	2	(2)	2	(2)	2	(2)
Food stores	11	2,338	9	2,841	13	3,281
Package liquor stores	2	(2)	2	(2)	2	(2)
Eating and drinking places	16	1,310	21	1,845	32	2,922
Home furnishings and appliances	9	126	13	209	16	451
Building material and farm implements	11	5,591	13	8,050	16	12,850
Auto dealers and auto supplies	4	10	4	40	6	845
Service stations	12	3,381	11	3,834	10	4,273
Other retail stores	40	9,745	42	17,900	45	19,777
Total retail stores	112	\$22,501	122	\$34,719	148	\$44,758
All other outlets	203	10,386	237	16,807	320	23,900
Total taxable sales	315	\$32,887	359	\$51,526	468	\$68,658

(1) In thousands

(2) Sales omitted because their publication would result in disclosure of confidential information. Sales data included under "Other retail stores".

Source: California State Board of Equalization.

77 01547



Education

Most of the City is served by the San Marcos Unified School District which was formed July 1, 1976 to serve the geographical area formerly covered by the Rich-Mar Union Elementary School District. In addition to the five schools (Grades K-8) previously operated by Rich-Mar, the new school district also acquired jurisdiction of San Marcos High School, formerly operated by Escondido Union High School District. Total enrollment at these schools is shown below.

San Marcos Unified School District(1)

Enrollments(2)	Fall 1975	Fall 1976	Fall 1977	Fall 1978
Elementary (Grades				
K-6)	2,049	2,079	2,259	2,493
Junior High School				
(7-8)	603	599	665	618
High School (9-12)	<u>1,062</u>	<u>1,097</u>	<u>1,177</u>	<u>1,312</u>
Total	3,714	3,775	4,101	4,423

(1) Name as of July 1, 1976.

(2) Figures do not include special education classes.

Source: San Diego County Superintendent of Schools.

Public education beyond the secondary grades is available at Palomar College, located in the City, with day and evening enrollment approximating 14,000 students, and at Mira Costa College (enrollment 6,485) in Oceanside. Both are community colleges supported by local taxes and offer the Associate in Arts or Associate in Science certificate in various vocational and academic pursuits.

The San Diego campus of the University of California is located south of the City at La Jolla, about eight miles north of San Diego. The University offers graduate and undergraduate instruction at four colleges. The campus serves as headquarters

for the University's Institute of Marine Resources and includes the long-established and celebrated Scripps Institute of Oceanography. There is a School of Medicine in the educational complex.

Other four-year degree institutions in the Metropolitan San Diego area include San Diego area include San Diego State University (enrollment 31,000), University of San Diego, a private institution enrolling approximately 2,773, and United States International University (enrollment 3,880).

Community Facilities

Seven daily newspapers serve the area: The Los Angeles *Times* and *Herald-Examiner*, the San Diego *Union* and *Evening Tribune*, the Escondido *Times-Advocate*, the Oceanside *Blade-Tribune* and the Vista *Press*. Weekly local news coverage is provided by the San Marcos *Courier* and *Outlook*.

The City is located within the Palomar Hospital District which operates a 300-bed facility in the adjacent City of Escondido. The 67-bed North Coast Community Hospital and the 231-bed Tri-City Hospital are both located in Oceanside. A 650-bed Naval Regional Medical Center is located at Camp Pendleton Marine Corps base, north of Oceanside.

The County operates a branch library in San Marcos. There is also a library at Palomar Community College.

The City operates five parks. The many beaches lining San Diego County's Pacific Coast are a short drive from the City. The San Diego Wild Animal Park is 17 miles to the southeast. The Astrophysical Laboratory at Mount Palomar, operated by the California Institute of Technology, is 38 miles east of San Marcos. At about the same distance to the south are the many recreational and tourist attractions of the City of San Diego.

Twenty-one churches hold services in the City of San Marcos.

